

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /088 W
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TAGS: ETRD, KS, US

SUBJECT: BACKGROUND ON KOREAN FOOTWEAR INDUSTRY

REF: A. STATE 204326 B. STATE 208417

SUMMARY: KOREAN FOOTWEAR INDUSTRY MEETS ALL DOMESTIC REQUIREMENTS AND EXPERIENCED RAPID EXPORT GROWTH BETWEEN 1970 AND 1973. WHILE 1974 EXPORTS TO U.S. OF \$91.5 MILLION ACCOUNTED FOR 51 PERCENT OF \$179.5 MILLION TOTAL, ROUGHLY 80 PERCENT OF EXPORTS TO U.S. ARE CANVAS SNEAKERS AND PROTECTIVE RUBBER FOOTWEAR WHICH ARE EXCLUDED FROM ESCAPE CLAUSE PETITION. PRINCIPAL NON-RUBBER FOOTWEAR EXPORTS TO U.S. ARE VINYL AND WELT LEATHER FOOTWEAR. EXPORTS TO U.S. OF BOTH CATEGORIES UP IN FIRST SIX MONTHS OF 1975, IN CONTRAST OVERALL SLUMP FOR INDUSTRY, BUT WITH POSSIBLE EXCEPTION SOME WELT LEATHER FOOTWEAR, KOREAN SHARE OF U.S. NON-RUBBER FOOTWEAR MARKET IN EVEN THESE NARROW AREAS IS VERY MODEST. END SUMMARY

1. FOLLOWING BACKGROUND INFORMATION IS FURNISHED IN RESPONSE REF A. EMBASSY COMMENTS ON PROPOSED CONSULTATIONS
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TO EXPLAIN ESCAPE CLAUSE PETITION CONTAINED SEPTTEL.

2. INDUSTRY CHARACTERIZED BY LARGE NUMBER OF GENERALLY SMALL FIRMS, BUT BULK OF PRODUCTION, PARTICULARLY FOR

EXPORT, ACCOUNTED FOR BY RELATIVELY FEW LARGER FIRMS.
 INDUSTRY SUPPLIES ALL DOMESTIC REQUIREMENTS WITH FOOT-
 WEAR IMPORTS BANNED UNDER KOREAN IMPORT REGIME.
 TABLE A BELOW, DRAWN FROM KOREAN CUSTOMS DATA, SHOWS
 EXPORT TRENDS IN RECENT YEARS. CUSTOMS DATA DO NOT
 PROVIDE BREAKOUT FOR VINYL FOOTWEAR. WHILE WE THINK
 IT IS INCLUDED IN RUBBER/PLASTIC CATEGORY TOTALS
 SOME VINYL FOOTWEAR MAY BE INCLUDED IN OTHERS CATEGORY.
 TABLE B SHOWS SEPARATE SUB-TOTALS FOR VINYL FOOTWEAR
 TAKEN FROM A MINISTRY OF COMMERCE AND INDUSTRY SERIES
 WHICH, UNFORTUNATELY, IS INCOMPLETE WITH RESPECT
 CERTAIN OTHER CATEGORIES.

TABLE A

KOREAN FOOTWEAR EXPORTS (\$ MILLION)
 (EXPORT TO U.S. IN PARENTHESIS)

	1970	1973	1974	1974	1975
RUBBER/PLASTIC	11.3	41.2	65.7	37.9	19.8
	(9.8)	(23.2)	(32.6)	(21.0)	(9.3)
CANVAS	4.0	40.2	83.9	45.0	36.9
	(2.3)	(19.3)	(44.5)	(23.9)	(24.0)
LEATHER	1.8	11.1	14.1	8.5	11.6
	(1.7)	(8.9)	(9.7)	(5.8)	(8.8)
SYNTH. LEATHER	---	5.0	4.0	2.7	2.0
	(---	(2.9)	(0.9)	(0.5)	(0.1)
OTHERS	0.2	8.9	11.7	7.6	6.4
	(0.2)	(3.9)	(3.8)	(2.1)	(3.1)
TOTAL	17.3	106.4	179.4	101.7	76.7
	(14.0)	(58.2)	(91.5)	(53.3)	(45.3)

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TABLE B

KOREAN EXPORTS OF VINYL FOOTWEAR (\$ MILLION)
 (EXPORT TO U.S. IN PARENTHESIS)

	1971	1973	1974	1974	1975
	1.9	8.7	10.6	6.2	4.3
	(1.0)	(4.1)	(4.8)	(2.0)	(3.1)

3. CLASSIFICATIONS OF FOOTWEAR IN KOREAN DATA DIFFER FROM
 BOTH U.S. TSUSA AND SIC CLASSIFICATIONS MAKING

IT DIFFICULT TO CLEARLY DISTINGUISH BETWEEN NON-RUBBER FOOTWEAR CATEGORIES COVERED IN ESCAPE CLAUSE PETITION (AS DETAILED REF B) AND OTHERS. AS FAR AS WE CAN DETERMINE, WITH EXCEPTION OF WHATEVER VINYL FOOTWEAR IS INCLUDED IN RUBBER/PLASTIC GROUPING, MOST EXPORTS GROUPED IN CANVAS AND RUBBER/PLASTIC GROUPINGS IN TABLE A ARE NOT INCLUDED IN PETITION. MOST FOOTWEAR IN LEATHER, SYNTHETIC LEATHER AND OTHERS CATEGORY, ON OTHER HAND, APPEAR TO BE COVERED BY PETITION.

4. AS DEPICTED IN TABLE A, EXPORT SECTOR OF FOOTWEAR INDUSTRY GREW RAPIDLY BETWEEN 1970 AND 1973. VALUE OF EXPORTS SHOWED FURTHER GAIN OF 69 PERCENT IN 1974, BUT LARGELY AS RESULT SHARP PRICE INCREASES AND POSSIBLY SOME UPGRADING OF QUALITY FOR RUBBER AND CANVAS FOOTWEAR EXPORTS. SUCH VOLUME DATA AS ARE AVAILABLE ARE SUSPECT, BUT BEST ESTIMATE IS THAT OVERALL VOLUME OF FOOTWEAR EXPORTS DECLINED SLIGHTLY IN 1974 AS COMPARED 1973. VALUE OF OVERALL FOOTWEAR EXPORTS FOR FIRST HALF 1975 IS DOWN 25 PERCENT FROM YEAR EARLIER, LARGELY DUE GENERAL SLUMP IN EXPORTS OF RUBBER FOOTWEAR, PRINCIPALLY PROTECTIVE RUBBER FOOTWEAR, AND FALL IN CANVAS FOOTWEAR EXPORTS TO MARKETS OTHER THAN U.S. THERE HAVE BEEN REPORTS OF RESURGENCE OF NEW ORDERS FOR FOOTWEAR IN RECENT WEEKS, BUT FEW DETAILS AVAILABLE AS YET. EXPORTS OF LEATHER FOOTWEAR ROSE IN FIRST HALF, ESPECIALLY TO U.S., WHILE VINYL FOOTWEAR EXPORTS ALSO GAINED IN U.S. MARKET BUT SLUMPED IN OTHER MARKETS.

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5. AS CAN BE SEEN IN ABOVE TABLES, BULK OF KOREAN EXPORTS ARE IN RUBBER/PLASTIC AND CANVAS CATEGORIES WHICH ARE LARGELY EXCLUDED FROM ESCAPE CLAUSE PETITION (EXCLUDED CATEGORIES APPEAR TO ACCOUNT FOR ROUGHLY 80 PERCENT OF TOTAL EXPORTS TO U.S. ASSUMING ALL VINYL FOOTWEAR ARE IN RUBBER/PLASTICS GROUPING). WHILE KOREA IS MAJOR U.S. SUPPLIER OF CANVAS AND PROTECTIVE RUBBER FOOTWEAR IT IS DECIDEDLY MINOR SUPPLIER OF FOOTWEAR IN CATEGORIES COVERED BY PETITION. (WE UNDERSTAND KOREA SUPPLIED ABOUT 2 PERCENT OF U.S. NON-RUBBER FOOTWEAR IMPORTS IN 1973.) PRINCIPAL EXPORTS IN THESE CATEGORIES ARE VINYL FOOTWEAR AND CERTAIN LEATHER FOOTWEAR, PRINCIPALLY WELT LEATHER FOOTWEAR. EVEN IN THESE AREAS OF CONCENTRATION, WITH POSSIBLE EXCEPTION SOME WELT LEATHER FOOTWEAR, KOREAN EXPORTS ACCOUNT FOR ONLY MODEST PORTION OF TOTAL U.S. IMPORTS.

6. WHILE KOREA DOES NOT IMPORT SHOES, BULK OF SHOE PRODUCTION IS DEPENDENT ON IMPORTED RAW MATERIALS. PRINCIPAL IMPORT FROM U.S. IS RAW HIDES AND SKINS.

TOTAL 1974 RAW HIDES AND SKINS IMPORTS FOR ALL
USES, WHICH INCLUDES SIGNIFICANT AND GROWING EXPORT
OF LEATHER PRODUCTS OTHER THAN SHOES, WAS \$32.2 MILLION
OF WHICH \$25.3 MILLION OR 79 PERCENT CAME FROM U.S.
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